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AGREED CONCLUSIONS OF THE STANDING COMMITTEE ON COMMODITIES AT ITS FOURTH SESSION*

1. Sustained rapid economic growth in the dynamic developing economies is expected to generate increasing demand for a wide range of foodstuffs, agricultural raw materials, and mineral ores and metals. The opportunities and niches for commodity production and trade, consequent on such growth as well as on economic expansion from other sources, seem likely on balance to be enhanced in the longer term as the Uruguay Round Agreements are implemented.

2. The expected growth of world commodity demand in the foreseeable future is likely, however, to be accompanied by persisting traditional and newly emerging problems of the international commodity economy. These problems, including depressed prices, face commodity exporters, but especially developing countries and in particular the least developed countries (LDCs) among them which are heavily dependent on commodities for their export earnings, domestic employment and food production.

3. Export diversification, whether in the horizontal, diagonal or vertical direction, is well recognized as a key prerequisite if commodity-dependent developing economies are to succeed in moving towards sustainable development with higher growth and standards of living. There is a general consensus, in this connection, that expanded market access for developing countries' exports is one important, but not a sufficient, condition for durable expansion in their export earnings and gains in market shares.

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* As adopted by the Standing Committee at its closing plenary meeting on 3 November 1995.

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4. Domestic policy reform and economic and technical cooperation from the international community, and among developing countries as well, are crucial if developing countries are to take full advantage of the available opportunities and niches in commodity production and trade. In this regard, emphasis was placed on the need to provide assistance to developing countries, and in particular LDCs.

5. The need for the implementation of the Marrakesh Ministerial decisions regarding the LDCs and net food-importing countries was stressed.

6. In order to achieve sustainable development it is important to take into account all relevant costs and benefits of economic activity. These include environmental costs and benefits. Their relative significance in the decision-making process would change from one country to another, depending on a variety of parameters, including social considerations and economic growth priorities.

7. It is important to eliminate existing distortions in the price system, in particular those caused by subsidies in commodity production, as a prerequisite for internalizing externalities. Moreover, there is a need to clarify, for the benefit of policy-makers, the concept of internalization and its significance for sustainable development. This would contribute both to implementation at the national level and advancing international dialogue.

8. Producer-consumer cooperation is an important element of commodity policy which needs to be pursued where feasible, taking into account the particular needs of developing countries and the characteristics of individual commodities. Such cooperation could be enhanced by taking market forces more fully into account; by involving both the private sector and industry experts as fully as possible; by enhancing research and development, especially regarding more efficient production technologies and new or improved varieties or products; and by promoting the consideration of environmental issues and sustainable development, including the promotion of measures which would enhance the environmental particularities of natural products.

9. The Standing Committee agreed that UNCTAD has an important role to play in the commodity area and that it should concentrate its future work on issues where it has expertise and competence in promoting sound, compatible and consistent policies with a view to achieving the improved functioning of the international commodity economy and an enhanced role of the developing countries in that economy. Special attention needs to be given to highly-commodity-dependent low-income countries and other weaker economies such as those in Africa, and in particular to the problems of LDCs, with a view to preventing their potential marginalization and enabling these countries to benefit fully from the capacities, and maximize the developmental impact, of their commodity sector.

10. The Standing Committee has carried out a valuable work programme and has served, in its four sessions, as a useful forum to deal with various commodity-related aspects of international trade and development. Its work would, however, have benefitted significantly from an enhanced participation of experts from capitals and from the inclusion in delegations of industry experts and other representatives of the civil society.

11. The Standing Committee stressed that UNCTAD provides an appropriate forum for international discussions on the reflection of environmental costs and benefits in prices of products and on other modalities for internalization, including new approaches to international cooperation in this area. Work of a technical nature, however, could be carried out more fruitfully at the expert level.

12. The Standing Committee agreed that intergovernmental discussion and investigation of commodity issues to promote sound, compatible and consistent policies in the commodity field is both necessary and valuable, especially as these commodity issues affect the situation of particular commodities which dominate the economies of the least developed countries.

13. The commodity sector experiences a broad range of market conditions. Most of the commodities in developing countries, particularly the least developed among them, face depressed commodity prices. Other concerns include oversupply, market access difficulties for value-added products, the absence of appropriate technology, lack of capital resources, and the lack of a coordinated strategy to address these problems.

14. The Standing Committee agreed that UNCTAD should continue to address commodity issues after the ninth Conference. The "commodity problem" may be conceptualized in terms of the following four dimensions:

(a) Macroeconomic dimension:

i. Commodity sector development and diversification and market stability are the foundation for durable economic growth and structural diversification;

ii. Such development and diversification have to be sustainable.

(b) Sectoral dimension:

The task of initiating and effectively managing diversification to take full advantage of international opportunities and to meet challenges, and of promoting private enterprise participation in the process.

(c) Microeconomic dimension:

Commodity risk management mechanisms, the dissemination of market information and technologies for enhanced productivity, the generation of evolving entrepreneurship at all levels of the economy and the efficient functioning of commodity markets with a view to enhancing price stability and transparency.

(d) International dimension:

i. Challenges: the integration of developing economies, increased global competition, resource constraints, and market access;

ii. Opportunities: the implementation of the Uruguay Round, increased commodity demands from developed, developing and transitional economies, cooperation between donor and ODA recipient countries and between producers and consumers, and effective functioning of all international cooperation agreements on commodities.

15. Effectively meeting these challenges requires a three-pronged approach: research and analysis, policy dialogue, and technical and economic cooperation. Any future work by UNCTAD must more effectively address problems faced by commodity sectors. To that end, the Committee recommends the development of a work programme within the intergovernmental machinery which addresses commodity issues and proceeds only with the active support and participation of relevant government ministries and enterprises of member countries, and other concerned organizations.